



THE MORTGAGE SOCIETY OF FINLAND GROUP

PILLAR 3 REPORT 2020

DISCLOSURES REQUIRED IN PART EIGHT OF THE CAPITAL
REQUIREMENTS REGULATION (EU 575/2013)

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Introduction

This report presents the disclosures required in Part Eight of the Capital Requirements Regulation (EU) 575/2013 (the so-called Pillar 3 information) of the Mortgage Society of Finland Group (Hypo Group). The Group consists of the parent company the Mortgage Society of Finland, the subsidiary Suomen AsuntoHypoPankki Oy and the housing company Bostadsaktiebolaget Taos, of which the group companies own 54.6 percent. In addition to this report, part of the required Pillar 3 disclosures are presented in the Hypo Group's Board of Directors' report, Notes in the Financial Statements¹, Corporate Governance Statement, Remuneration Statement and Remuneration Report of the Governing Bodies². The report is unaudited.

Hypo Group calculates its capital requirement by using the standard method for credit risk, the current exposure method for counterparty credit risk and the basic method for operational risk. The Group does not apply the transitional arrangements of the EU Capital Requirements Regulation (EU 575/2013) Article 473a concerning the IFRS 9 Financial Instruments -standard implemented in 1.1.2018.

In addition to Part Eight of the Capital Requirements Regulation (EU) 575/2013, the Group complies with Regulations and guidelines 5/2019 of the Finnish Financial Supervisory Authority (FSA) and applicable parts of the guidelines of the European Banking Authority EBA mentioned in the Regulations and guidelines 5/2019. In spring 2020, the Finnish FSA classified the Mortgage Society of Finland as a small and non-complex institution as defined in the Capital Requirements Regulation (EU) 2019/876 (the so-called CRR II) which will enter into force on 28 June 2021. The classification enables the Hypo Group to benefit from the simplification of disclosure requirements of CRR II according to the principle of proportionality. Pillar 3 information for 2021 will be disclosed according to CRR II and applying EBA's new guidelines for disclosure.

¹ Annual Report containing Financial Statements and Board of Directors' Report can be found from Hypo's webpages <https://www.hypo.fi/en/financial-information/>

² Corporate Governance Statement, Remuneration Statement and Remuneration Report of the Governing Bodies can be found from Hypo's webpages <https://www.hypo.fi/en/investor-relations/>

Disclosure Index

| CRR 575/2013 article | Disclosure requirement | Reference to publication |
|----------------------|--|---|
| 435 | Risk management objectives and policies | Annual report; Board of directors' report: Information concerning group's risk management and Notes concerning group's risk management Corporate Governance Statement |
| 436 | Scope of application | Annual report; Financial statements: Accounting policies |
| 437 | Own funds | Pillar 3 report: Own funds and capital ratios |
| 438 | Capital requirements | Pillar 3 report: Credit and counterparty risks according to the standard method, operative risk and other risks, balance sheet and off-balance sheet items |
| 439 | Exposure to counterparty credit risk | Pillar 3 report: Counterparty credit risk exposures |
| 440 | Capital buffers | Pillar 3 report: Own funds and capital ratios |
| 441 | Indicators of global systemic importance | Not applicable |
| 442 | Credit risk adjustments | Annual report; Board of directors' report: Information concerning group's risk management; Credit risk Table: Other information describing capital adequacy and risk position |
| 443 | Unencumbered assets | Pillar 3 report: Information concerning asset encumbrance |
| 444 | Use of ECAIs | Pillar 3 report: Credit and counterparty risks according to the standard method, operative risk and other risks, balance sheet and off-balance sheet items |
| 445 | Exposure to market risk | Annual report; Board of directors' report: Information concerning group's risk management; Market risks Table: Other information describing capital adequacy and risk position |

| | | |
|-----|--|--|
| | | Financial statements: Note 61 concerning group's risk management |
| 446 | Operational risk | Annual report; Board of directors' report: Information concerning group's risk management; Operational risks Pillar 3 report: Own funds and capital ratios Credit and counterparty risks according to the standard method, operative risk and other risks, balance sheet and off-balance sheet items |
| 447 | Exposures in equities not included in the trading book | Not applicable Information on real estate investments presented in Annual report; Financial statements |
| 448 | Exposure to interest rate risk on positions not included in the trading book | Annual report; Board of directors' report: Table: Other information describing capital adequacy and risk position; Financial statements: Note 61 concerning group's risk management |
| 449 | Exposure to securitisation positions | Not applicable |
| 450 | Remuneration policy | Remuneration statement Remuneration report for governing bodies Annual report; Financial statements: Group notes 41 and 47 |
| 451 | Leverage | Pillar 3 report: Leverage Ratio |
| 452 | Use of the IRB Approach to credit risk | Not applicable |
| 453 | Use of credit risk mitigation techniques | Pillar 3 report: Credit and counterparty risks according to the standard method, operative risk and other risks, balance sheet and off-balance sheet items |
| 454 | Use of the Advanced Measurement Approaches to operational risk | Not applicable |
| 455 | Use of Internal Market Risk Models | Not applicable |

Statement on non-disclosed information

The Board of Directors of the Mortgage Society of Finland approves yearly the disclosure principles of capital adequacy information. The evaluation of the information follows the principles of materiality, propriety and confidentiality according to Article 432 in Part Eight of the Capital Requirements Regulation (EU) 575/2013 and the EBA Guidelines 2014/14.

In a materiality evaluation assessment performed under Capital Adequacy Regulation (EU) 575/2013, Part Eight, Article 432(1), taking into account the scope and nature of the operations, the information under the following articles has not been considered as material to be disclosed in a manner larger than as disclosed in this report or in the Financial Statements and the Board of Directors' Report and that the information disclosed conveys comprehensively the risk profile of the Group:

- Artikla 435 Risk management objectives and policies
- Artikla 436 Scope of application
- Artikla 438 Capital requirements
- Artikla 439 Exposure to counterparty credit risk
- Artikla 440 Capital buffers
- Artikla 442 Credit risk adjustments
- Artikla 444 Use of ECAs
- Artikla 445 Exposure to market risk
- Artikla 446 Operational risk
- Artikla 447 Exposures in equities not included in the trading book
- Artikla 448 Exposure to interest rate risk on positions not included in the trading book
- Artikla 451 Leverage

The following information is not disclosed at all:

- Artikla 441 Indicators of global systemic importance (not applicable; Hypo Group is not a globally or systemically important credit institution)
- Artikla 449 Exposure to securitisation positions (not applicable; no securitisation exposures)
- Artikla 452 Use of the IRB Approach to credit risk (not applicable; the IRB Approach is not applied)
- Artikla 454 Use of the Advanced Measurement Approaches to operational risk (not applicable; the Advanced Measurement Approaches are not applied)
- Artikla 455 Use of Internal Market Risk Models (not applied; the Internal Market Risk Models are not applied)

The Mortgage Society of Finland Group: Information required in Part Eight of the Capital Requirements Regulation (EU 575/2013)

Group's own funds and capital ratios

| (€1,000) | 2020 | 2019 |
|---|------------|------------|
| Common Equity Tier 1 (CET1) capital: Instruments and reserves | | |
| Capital instruments and the related share premium accounts | 5 000,00 | 5 000,00 |
| of which: Basic capital | 5 000,00 | 5 000,00 |
| Retained earnings | 69 351,25 | 65 870,38 |
| Accumulated other comprehensive income and other reserves | 56 016,56 | 52 008,55 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 6 581,83 | 6 883,37 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 136 949,63 | 129 762,31 |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | |
| Intangible assets | -5 472,13 | -2 909,38 |
| Value adjustments due to the requirements for prudent valuation | -258,91 | -314,09 |
| Defined-benefit pension fund assets | -7 447,26 | -6 510,26 |
| Total regulatory adjustments to Common Equity Tier 1 (CET1) | -13 178,30 | -9 733,73 |
| Common Equity Tier 1 (CET1) capital | 123 771,33 | 120 028,58 |
| Additional Tier 1 (AT1) capital | 0,00 | 0,00 |
| Tier 2 (T2) capital | 0,00 | 0,00 |
| Total capital (TC = T1 + T2) | 123 771,33 | 120 028,58 |
| Total risk weighted assets | 887 458,58 | 896 212,82 |
| Capital ratios and buffers | | |
| Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount | 13,9 | 13,4 |
| Tier 1 (T1) as a percentage of total risk exposure amount | 13,9 | 13,4 |
| Total capital as a percentage of total risk exposure amount | 13,9 | 13,4 |
| Institution specific buffer requirement, % | 7,0 | 8,0 |
| of which: capital conservation buffer requirement, % | 2,5 | 2,5 |
| of which: countercyclical buffer requirement, % | 0,0 | 0,0 |
| of which: systemic risk buffer requirement, % | 0,0 | 1,0 |
| of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, % | 0,0 | 0,0 |
| Discretionary capital add-on (Pillar 2), % | 1,25 | 1,25 |
| Common Equity Tier 1 available to meet buffers, % | 10,4 | 9,9 |

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013). The capital requirement for credit risk is calculated using the standard method. The capital requirement for counterparty credit risk is calculated using the current exposure method (CEM). The capital requirement for operational risk is calculated using the basic method. The other risk-weighted items consist of credit valuation risk (CVA). No restrictions applied in the EU's Capital Requirements Regulation (575/2013) compliant own funds calculation and no elements of own funds other than what is laid down in this regulation is used.

Main features of capital instruments

| | | |
|---|---------------------------------|---------------------------|
| Issuer | Suomen Asuntohypopankki Oy | Suomen Hypoteekkiyhdistys |
| Unique Identifier | 743700P5K21EQSEHZK26 | N/A |
| Governing law of the instrument | Limited Liability Companies Act | Act on Mortgage Societies |
| Regulatory treatment | | |
| Transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 |
| Post-transitional CRR rules | Common Equity Tier 1 | Common Equity Tier 1 |
| Eligibility level | Solo | Solo and consolidated |
| Instrument type | Share | Basic capital |
| Amount recognized in regulatory capital | EUR 6.5 million | EUR 5.0 million |
| Nominal amount of instrument | EUR 6.5 million | EUR 5.0 million |
| Accounting classification | Shareholder's equity | N/A |
| Original date of issuance | 19 June 2002 | 21 December 1858 |
| Perpetual or dated | Perpetual | Perpetual |

Credit and counterparty risks according to the standard method, operative risk and other risks, balance sheet and off-balance sheet items

| | 2020 | | | |
|--|--|---------------------|---|-----------------------|
| (€1,000) | Original exposure pre conversion factors | Exposure value | Risk weighted exposure amount after SME-supporting factor | Own funds requirement |
| Exposures to central governments or central banks | 453 681,56 | 504 774,07 | 0,00 | 0,00 |
| Exposures to regional governments or local authorities | 118 733,14 | 126 718,34 | 0,00 | 0,00 |
| Exposures to credit institutions | 56 879,24 | 62 759,74 | 23 039,91 | 1 843,19 |
| Exposures to corporates | 54 445,78 | 28 627,59 | 20 866,44 | 1 669,32 |
| Retail exposures | 54 850,91 | 14 671,43 | 9 621,58 | 769,73 |
| Exposures secured by mortgages on immovable property | 2 567 166,59 | 2 467 135,96 | 725 808,15 | 58 064,65 |
| Exposures in default | 2 224,03 | 1 320,46 | 1 325,89 | 106,07 |
| Exposures in the form of covered bonds | 6 417,91 | 6 417,91 | 641,79 | 51,34 |
| Other items | 59 886,08 | 59 886,08 | 59 386,08 | 4 750,89 |
| Total | 3 374 285,25 | 3 272 311,58 | 840 689,84 | 67 255,19 |
| Operational risk | | | 39 900,77 | 3 192,06 |
| Other risks | | | 6 867,97 | 549,44 |
| All items in total | 3 374 285,25 | 3 272 311,58 | 887 458,58 | 70 996,69 |
| | 2019 | | | |
| (€1,000) | Original exposure pre conversion factors | Exposure value | Risk weighted exposure amount after SME-supporting factor | Own funds requirement |
| Exposures to central governments or central banks | 364 618,39 | 421 686,78 | 0,00 | 0,00 |
| Exposures to regional governments or local authorities | 138 747,85 | 147 493,55 | 0,00 | 0,00 |
| Exposures to credit institutions | 53 091,89 | 61 075,18 | 16 675,98 | 1 334,08 |
| Exposures to corporates | 54 738,06 | 25 919,94 | 18 426,54 | 1 474,12 |
| Retail exposures | 61 925,53 | 15 075,31 | 10 129,72 | 810,38 |
| Exposures secured by mortgages on immovable property | 2 582 115,76 | 2 514 794,54 | 738 062,43 | 59 044,99 |
| Exposures in default | 2 411,99 | 2 238,31 | 2 290,76 | 183,26 |
| Exposures in the form of covered bonds | 23 451,06 | 23 451,06 | 2 345,11 | 187,61 |
| Other items | 65 120,01 | 65 120,01 | 65 120,01 | 5 209,60 |
| Total | 3 346 220,53 | 3 276 854,68 | 853 050,54 | 68 244,04 |
| Operational risk | | | 36 346,77 | 2 907,74 |
| Other risks | | | 6 815,51 | 545,24 |
| All items in total | 3 346 220,53 | 3 276 854,68 | 896 212,82 | 71 697,03 |

Risk-weighting of the following exposures: sovereigns, regional governments, local authorities, public sector entities, institutions and companies; is based on ratings assigned by S&P Global Ratings, Fitch and Moody's where applicable.

Own funds requirement for credit and counterparty risks have been calculated using eight percent requirement of risk-weighted exposures

in accordance with the EU's Capital Requirements Regulation (575/2013).

Total exposure values covered by eligible financial collateral or other eligible collateral

| | 2020 | 2019 |
|-------------------------|---------|---------|
| Exposures to corporates | 0,0 | 270,1 |
| Retail exposures | 3 606,8 | 4 523,8 |
| Exposures in default | 32,0 | 32,0 |
| Total | 3 638,8 | 4 825,9 |

Total exposure values covered by guarantees or credit derivatives

| | 2020 | 2019 |
|-------------------------|----------|----------|
| Exposures to corporates | 40 416,1 | 41 688,9 |
| Retail exposures | 35 092,2 | 40 890,2 |
| Exposures in default | 871,6 | 141,7 |
| Total | 76 379,8 | 82 720,8 |

Counterparty credit risk exposures

Analysis of CCR exposure by approach (EU CCR1)

| | b | c | f | g |
|---------------------|---------------------------------------|----------------------------------|--------------|----------|
| | Replacement cost/current market value | Potential future credit exposure | EAD post CRM | RWAs |
| 31.12.2020 (€1,000) | | | | |
| 1 Mark to market | 30 419,4 | 9 372,0 | 39 791,4 | 17 019,8 |

| | b | c | f | g |
|---------------------|---------------------------------------|----------------------------------|--------------|---------|
| | Replacement cost/current market value | Potential future credit exposure | EAD post CRM | RWAs |
| 31.12.2019 (€1,000) | | | | |
| 1 Mark to market | 22 899,7 | 9 250,0 | 32 139,7 | 9 093,8 |

CVA capital charge (EU CCR2)

| | a | b |
|---|----------------|---------|
| | Exposure value | RWAs |
| 31.12.2020 (€1,000) | | |
| 4 All portfolios subject to the standardised method | 35 836,3 | 6 868,0 |
| 5 Total subject to the CVA capital charge | 35 836,3 | 6 868,0 |

| | a | b |
|---|----------------|---------|
| | Exposure value | RWAs |
| 31.12.2019 (€1,000) | | |
| 4 All portfolios subject to the standardised method | 30 296,8 | 6 815,5 |
| 5 Total subject to the CVA capital charge | 30 296,8 | 6 815,5 |

Impact of netting and collateral held on exposure values (EU CCR5-A)

| | a | b | c | d | e |
|---------------------|--|------------------|--------------------------------|-----------------|---------------------|
| | Gross positive fair value or net carrying amount | Netting benefits | Netted current credit exposure | Collateral held | Net credit exposure |
| 31.12.2020 (€1,000) | | | | | |
| 1 Derivatives | 26 731,9 | 0,0 | 26 731,9 | 29 090,0 | 0,0 |
| 4 Total | 26 731,9 | 0,0 | 26 731,9 | 29 090,0 | 0,0 |
| | a | b | c | d | e |
| | Gross positive fair value or net carrying amount | Netting benefits | Netted current credit exposure | Collateral held | Net credit exposure |
| 31.12.2019 (€1,000) | | | | | |
| 1 Derivatives | 19 351,9 | 0,0 | 19 351,9 | 23 350,0 | 0,0 |
| 4 Total | 19 351,9 | 0,0 | 19 351,9 | 23 350,0 | 0,0 |

Composition of collateral for exposures to CCR (EU CCR5-B)

| | a | b | c | d |
|---------------------|--|--------------|---------------------------------|--------------|
| | Collateral used in derivative transactions | | | |
| | Fair value of collateral received | | Fair value of posted collateral | |
| | Segregated | Unsegregated | Segregated | Unsegregated |
| 31.12.2020 (€1,000) | | | | |
| 1 Cash | | 29 090,0 | 4 754,6 | 3 150,7 |
| 2 Sovereign debt | | | 4 308,6 | |

Collateral posted for CCP are segregated. Collateral received from or posted for other counterparties are unsegregated.

| | a | b | c | d |
|---------------------|--|--------------|---------------------------------|--------------|
| | Collateral used in derivative transactions | | | |
| | Fair value of collateral received | | Fair value of posted collateral | |
| | Segregated | Unsegregated | Segregated | Unsegregated |
| 31.12.2019 (€1,000) | | | | |
| 1 Cash | | 23 350,0 | 4 708,7 | 3 300,7 |
| 2 Sovereign debt | | | 5 365,8 | |

Collateral posted for CCP are segregated. Collateral received from or posted for other counterparties are unsegregated.

Information concerning asset encumbrance

2020

| | Book value of encumbered assets | | Fair value of encumbered assets | | Book value of unencumbered assets | | Fair value of unencumbered assets | |
|---------------------------------|---------------------------------|---|---------------------------------|---|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | | of which notionally eligible EHOLA and HOLA | | of which notionally eligible EHOLA and HOLA | | of which EHOLA and HOLA | | of which EHOLA and HOLA |
| (1000 €) | | | | | | | | |
| A - Assets | 1 849 388,7 | | 1 849 388,7 | | 1 363 693,8 | | 1 363 693,8 | - |
| Equity instruments | | | | | 132,4 | | 132,4 | |
| Debt securities | 4 308,6 | 4 308,6 | 4 308,6 | 4 308,6 | 215 487,4 | 215 487,4 | 215 487,4 | 215 487,4 |
| Other assets, including lending | 1 845 080,2 | | 1 845 080,2 | | 1 148 074,0 | 359 150,0 | 1 148 074,0 | |

B - Collateral received

| | Unencumbered |
|--|---|
| Own covered bonds and asset-backed securities issued and not yet pledged | Fair value of collateral received or own debt securities issued available for encumbrance |
| | 94 169,7 |

C - Encumbered assets and associated liabilities

| | Liabilities associated with encumbered assets | Encumbered assets |
|--|---|-------------------|
| Book value of selected financial liabilities | 99 736,1 | 158 903,0 |
| Debt securities issued to the public | 1 286 492,2 | 1 678 271,8 |
| Derivative contracts | 7 437,2 | 12 214,0 |
| Total | 1 393 665,5 | 1 849 388,7 |

D - Information on the importance of encumbrance

The amount of assets reported under items A and C above does not include excess collateral except for covered bonds. Group's encumbered assets consist of debt securities, cover asset pool and cash collateral for derivative contracts that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.

Encumbered assets totaled EUR 1,849.4 million, out of which of covered bonds were EUR 1,837.2 million on 31 December 2020. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 215.5 million on 31 December 2020. EUR 423.8 million of unencumbered loans may be used as collateral for covered bonds.

2019

| (1000 €) | Book value of encumbered assets | | Fair value of encumbered assets | | Book value of unencumbered assets | | Fair value of unencumbered assets | |
|---------------------------------|---------------------------------|---|---------------------------------|---|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | | of which notionally eligible EHQLA and HQLA | | of which notionally eligible EHQLA and HQLA | | of which EHQLA and HQLA | | of which EHQLA and HQLA |
| A - Assets | 1 706 675,5 | | 1 706 675,5 | | 1 523 981,3 | | 1 523 981,3 | |
| Equity instruments | | | | | 132,4 | | 132,4 | |
| Debt securities | 49 319,8 | 49 319,8 | 49 319,8 | 49 319,8 | 233 367,7 | 233 367,7 | 233 367,7 | 233 367,7 |
| Other assets, including lending | 1 657 355,7 | | 1 657 355,7 | | 1 290 481,3 | 244 100,0 | 1 290 481,3 | |

B - Collateral received

Nothing to report, as the Group's received collaterals meet the conditions for recognition on the balance sheet and are reported in Template A.

C - Encumbered assets and associated liabilities

| | Liabilities associated with encumbered assets | Encumbered assets |
|--|---|-------------------|
| Book value of selected financial liabilities | 78 950,9 | 94 703,1 |
| Debt securities issued to the public | 1 278 253,3 | 1 598 597,2 |
| Derivative contracts | 7 048,0 | 13 375,2 |
| Total | 1 364 252,2 | 1 706 675,5 |

D - Information on the importance of encumbrance

The amount of assets reported under items A and C above does not include excess collateral except for covered bonds. Group's encumbered assets consist of debt securities, cover asset pool and cash collateral for derivative contracts that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.

Encumbered assets totaled EUR 1,706.7 million, out of which of covered bonds were EUR 1,649.3 million on 31 December 2019. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 218.4 million on 31 December 2019. EUR 677.0 million of unencumbered loans may be used as collateral for covered bonds.

Remuneration policy

Information on remuneration policy according to the Article 450 of EU's Capital Requirements Regulation (575/2013) is published separately in the reports "Remuneration statement" and "Remuneration report of the Governing Bodies" found from <https://www.hypo.fi/en/investor-relations/>.

Leverage Ratio

| | 2020 | 2019 |
|-------------------|------|------|
| Leverage ratio, % | 3,8 | 3,7 |

Table EU LIQA on liquidity risk management

Strategies and processes in the management of liquidity risk

Group's liquidity risk strategy is based on the Principles on liquidity risk management which are updated regularly. The strategy consists of identification, measuring, management and coordination of structural funding risk, short-term liquidity risk and refinancing risk on the balance sheet.

Structure and organization of the liquidity risk management function

Liquidity risk is managed in three separate units. Treasury performs risk measuring and practical risk management with necessary authorisations thereof. Controller unit, independent of Treasury, produces liquidity risk reporting. Risk management as an independent risk monitoring unit, independent of both aforementioned units, is responsible of maintenance and development of risk management methods as well as risk reporting to the management.

Scope and nature of liquidity risk reporting and measurement systems

Risk reporting to the management covers all liquidity risks and is performed in a pre-defined format at least quarterly. Identification and measuring of the risk takes place with suitable IT systems taking into account the measuring methods stated in the Principles of liquidity risk management.

Protection and risk reduction policies and control of their effectiveness

Protection against liquidity risk based on the individual risk limits laid down in (the minimum and / or target levels), which typically is set as the alarm. The limits guide operations and are monitored in liquidity management and risk reporting. The maintenance of adequate liquidity reserves in both the short and long term as regards payment obligations and regulatory requirements is a key way of ensuring liquidity adequacy. A contingency plan has been defined for the unforeseeable weakening of the liquidity situation.

Management declaration concerning liquidity risk management

Management of the group deems the arrangements and processes in place regarding liquidity risk management as being on an adequate level taking into account the group's risk profile and business strategy.

Management statement on liquidity risk

Management of the group states, based on the quantitative information disclosed in this report and the financial statements that the liquidity risk profile is consistent and controlled in relation to the business strategy and risk tolerance of the group.

LCR disclosure template and qualitative information on the LCR (EU LIQ1)

| Consolidated (€1,000) | Total weighted value (average) | | | |
|---|--------------------------------|------------|------------|------------|
| | 31.3.2020 | 30.6.2020 | 30.9.2020 | 31.12.2020 |
| Quarter ending on | | | | |
| Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 |
| LIQUIDITY BUFFER | 413 812 | 436 650 | 487 949 | 527 389 |
| TOTAL NET CASH OUTFLOWS | 293 802 | 296 571 | 308 490 | 310 649 |
| LIQUIDITY COVERAGE RATIO (%) | 141,1486 % | 148,5772 % | 159,3979 % | 171,3137 % |

Concentration of funding and liquidity sources

Key funding sources of the group are covered bonds, senior unsecured bonds, certificates of deposits, and deposits from the public. Out of these and in addition to the mandatory LCR requirement, deposits and long-term funding have been set minimum/target levels which affect the operations and which are monitored in liquidity risk reporting. Proportional shares of different funding sources are disclosed in these financial statements.

Derivative exposures and potential collateral calls

The derivatives used are always related to the group's own operations and they are plain vanilla interest rate (IRS) or interest rate and currency swap (CIRS) contracts. In mortgage credit bank operations, only IRS contracts are used. In the case of option and swaption agreements, Group companies operate only as a buyer, not as an assigner. In funding, derivatives are used only in the purpose of hedging. In other operations derivatives may be used in taking a moderate position. Outside covered bond operations and simple cross currency swap contracts, derivatives are centrally cleared with a central clearing counterparty. The use of collateral is subject to the master derivative agreement in question.

Currency mismatch in the LCR

The Hypo Group has only euro-denominated liabilities and receivables, so there is no currency difference.

A description of the degree of centralisation of liquidity management and interaction between the group's units

On operational level, liquidity management is centralized in treasury where authorisations, responsibilities and tasks are divided in due manner. Cooperation between treasury and other units taking part in liquidity or liquidity risk management is continuous and functioning.

Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile

N/A.

Non-performing and forborne exposures

Credit quality of forborne exposures

| | a | b | c | d | e | f | g | h |
|-------------------------------------|---|-------------------------|---|-------------------|--|--------------------------------------|---|---|
| | Gross carrying amount/nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
| | Performing forborne | Non-performing forborne | | Of which impaired | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| Of which defaulted | | | | | | | | |
| 2020 | | | | | | | | |
| (€1,000) | | | | | | | | |
| Loans and advances | 9 796 | | | | 0 | 0 | 9 764 | 0 |
| <i>Central banks</i> | | | | | | | | |
| <i>general governments</i> | | | | | | | | |
| <i>Credit institutions</i> | | | | | | | | |
| <i>Other financial corporations</i> | | | | | | | | |
| <i>Non-financial corporations</i> | 4 882 | | | | | | 4 882 | |
| <i>Households</i> | 4 914 | | | | | | 4 881 | |
| Debt securities | | | | | | | | |
| Loan commitments given | | | | | | | | |
| Total | 9 796 | | | 0 | 0 | 0 | 9 764 | 0 |

| | a | b | c | d | e | f | g | h |
|-------------------------------------|---|-------------------------|-----------|-------------------|--|--------------------------------------|---|---|
| | Gross carrying amount/nominal amount of exposures with forbearance measures | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | Collateral received and financial guarantees received on forborne exposures | |
| | Performing forborne | Non-performing forborne | | Of which impaired | On performing forborne exposures | On non-performing forborne exposures | | Of which collateral and financial guarantees received on non-performing exposures with forbearance measures |
| Of which defaulted | | | | | | | | |
| 2019 | | | | | | | | |
| (€1,000) | | | | | | | | |
| Loans and advances | 8 254 | 54 | 54 | 54 | 0 | 0 | 8 247 | 50 |
| <i>Central banks</i> | | | | | | | | |
| <i>general governments</i> | | | | | | | | |
| <i>Credit institutions</i> | | | | | | | | |
| <i>Other financial corporations</i> | | | | | | | | |
| <i>Non-financial corporations</i> | 5 821 | | | | | | 5 818 | |
| <i>Households</i> | 2 433 | 54 | 54 | 54 | | | 2 429 | 50 |
| Debt securities | | | | | | | | |
| Loan commitments given | | | | | | | | |
| Total | 8 254 | 54 | 54 | 54 | 0 | 0 | 8 247 | 50 |

Credit quality of performing and non-performing exposures by past due days

| | a | b | c | d | e | f | g | h | i | j | k | l |
|--|--------------------------------------|------------------------------|--------------|---|-------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|--------------------|--------------------|--------------|
| | Gross carrying amount/nominal amount | | | | | | | | | | | |
| | Performing exposures | | | | Non-performing exposures | | | | | | | |
| 2020 | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 year ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which defaulted | (€1,000) |
| Cash in central banks and other deposits payable on demand | 369 872 | 369 872 | | | | | | | | | | |
| Loans | 2 512 868 | 2 506 678 | 3 494 | 2 697 | 266 | 321 | 1 247 | 199 | 585 | 43 | 36 | 2 516 |
| <i>Central banks</i> | 0 | | | 0 | | | | | | | | |
| <i>General governments</i> | 0 | | | 0 | | | | | | | | |
| <i>Credit institutions</i> | 0 | | | 0 | | | | | | | | |
| <i>Other financial corporations</i> | 0 | | | 0 | | | | | | | | |
| <i>Non-financial corporations</i> | 1 692 219 | 1 689 788 | 1 632 | 799 | 0 | 799 | | | | | | 799 |
| <i>Of which SMEs</i> | | 1 652 679 | 1 632 | 799 | 0 | 799 | | | | | | 799 |
| <i>Households</i> | 820 649 | 816 889 | 1 862 | 1 898 | 266 | 321 | 448 | 199 | 585 | 43 | 36 | 1 717 |
| Debt securities | 219 796 | 219 796 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Central banks</i> | 0 | | | 0 | | | | | | | | |
| <i>General governments</i> | 213 378 | 213 378 | | 0 | | | | | | | | |
| <i>Credit institutions</i> | 6 418 | 6 418 | | 0 | | | | | | | | |
| <i>Other financial corporations</i> | 0 | | | 0 | | | | | | | | |
| <i>Non-financial corporations</i> | 0 | | | 0 | | | | | | | | |
| Off-balance-sheet exposures | 154 132 | | | 0 | | | | | | | | 0 |
| <i>Central banks</i> | | | | 0 | | | | | | | | |
| <i>General governments</i> | | | | 0 | | | | | | | | |
| <i>Credit institutions</i> | | | | 0 | | | | | | | | |
| <i>Other financial corporations</i> | | | | 0 | | | | | | | | |
| <i>Non-financial corporations</i> | 131 493 | | | 0 | | | | | | | | |
| <i>Households</i> | 22 639 | | | 0 | | | | | | | | |
| Total | 2 886 796 | 2 726 474 | 3 494 | 2 697 | 266 | 321 | 1 247 | 199 | 585 | 43 | 36 | 2 516 |

| | a | b | c | d | e | f | g | h | i | j | k | l |
|-------------------------------------|--------------------------------------|------------------------------|--------------|---|-------------------------------|------------------------------|-----------------------------|------------------------------|------------------------------|--------------------|--------------------|--------------|
| | Gross carrying amount/nominal amount | | | | | | | | | | | |
| | Performing exposures | | | | Non-performing exposures | | | | | | | |
| 2019 | Not past due or past due ≤ 30 days | Past due > 30 days ≤ 90 days | | Unlikely to pay that are not past due or are past due ≤ 90 days | Past due > 90 days ≤ 180 days | Past due > 180 days ≤ 1 year | Past due > 1 year ≤ 2 years | Past due > 2 years ≤ 5 years | Past due > 5 years ≤ 7 years | Past due > 7 years | Of which defaulted | (€1,000) |
| Loans | 2 842 397 | 2 838 249 | 1 466 | 2 682 | 74 | 893 | 529 | 576 | 439 | 116 | 55 | 2 682 |
| <i>Central banks</i> | 244 130 | 244 130 | | 0 | | | | | | | | |
| <i>General governments</i> | 0 | | | 0 | | | | | | | | |
| <i>Credit institutions</i> | 9 821 | 9 821 | | 0 | | | | | | | | |
| <i>Other financial corporations</i> | 1 750 | 1 750 | | 0 | | | | | | | | |
| <i>Non-financial corporations</i> | 1 769 427 | 1 769 427 | | 0 | | | | | | | | |
| <i>Of which SMEs</i> | | 753 018 | | 0 | | | | | | | | |
| <i>Households</i> | 817 268 | 813 121 | 1 466 | 2 682 | 74 | 893 | 529 | 576 | 439 | 116 | 55 | 2 682 |
| Debt securities | 282 687 | 282 687 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Central banks</i> | 0 | | | 0 | | | | | | | | |
| <i>General governments</i> | 259 236 | 259 236 | | 0 | | | | | | | | |
| <i>Credit institutions</i> | 23 451 | 23 451 | | 0 | | | | | | | | |
| <i>Other financial corporations</i> | 0 | | | 0 | | | | | | | | |
| <i>Non-financial corporations</i> | 0 | | | 0 | | | | | | | | |
| Off-balance-sheet exposures | 112 466 | | | 0 | | | | | | | | 0 |
| <i>Central banks</i> | | | | 0 | | | | | | | | |
| <i>General governments</i> | | | | 0 | | | | | | | | |
| <i>Credit institutions</i> | | | | 0 | | | | | | | | |
| <i>Other financial corporations</i> | | | | 0 | | | | | | | | |
| <i>Non-financial corporations</i> | 89 313 | | | 0 | | | | | | | | |
| <i>Households</i> | 23 153 | | | 0 | | | | | | | | |
| Total | 3 237 550 | 3 120 937 | 1 466 | 2 682 | 74 | 893 | 529 | 576 | 439 | 116 | 55 | 2 682 |

Performing and non-performing exposures and related provisions

| | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collateral and financial guarantees received | | |
|--|--------------------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|--|-------------------|---|-------------------|-------------------------|-----------------------------|-------------------------------|--|--------------|---|
| | Performing exposures | | | Non-performing exposures | | | Performing exposures - accumulated impairment and provisions | | Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | On performing exposures | On non-performing exposures | | | | |
| | | Of which: level 1 | Of which: level 2 | | Of which: level 2 | Of which: level 3 | Of which: level 1 | Of which: level 2 | Of which: level 2 | Of which: level 3 | | | | | | |
| 2020 | | | | | | | | | | | | | | | | |
| (€1,000) | | | | | | | | | | | | | | | | |
| Cash in central banks and other deposits payable on demand | 369 872 | 369 872 | | | | | | | | | | | | | | |
| Loans | 2 510 172 | 2 497 228 | 12 944 | 2 696 | 0 | 2 696 | -85 | -12 | -72 | -244 | 0 | -196 | 0 | 2 507 709 | 2 448 | |
| Central banks | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| General governments | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Credit institutions | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Other financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | 0 | | |
| Non-financial corporations | 1 691 420 | 1 684 452 | 6 969 | 799 | | 799 | 0 | | | 0 | | | | 1 689 647 | | |
| Of which SMEs | 1 654 311 | 1 647 342 | 6 969 | 799 | | 799 | 0 | | | 0 | | | | 1 654 311 | | |
| Households | 818 751 | 812 776 | 5 975 | 1 898 | | 1 898 | -84 | -12 | -72 | -244 | | -196 | | 818 062 | 2 448 | |
| Debt securities | 282 687 | 282 687 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central banks | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| General governments | 259 236 | 259 236 | | 0 | | | 0 | | | 0 | | | | | | |
| Credit institutions | 23 451 | 23 451 | | 0 | | | 0 | | | 0 | | | | | | |
| Other financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Non-financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Off-balance-sheet exposures | 112 466 | 112 466 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | |
| Central banks | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| General governments | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Credit institutions | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Other financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Non-financial corporations | 89 313 | 89 313 | | 0 | | | 0 | 0 | | 0 | | | | | | |
| Households | 23 153 | 23 153 | | 0 | | | 0 | 0 | | 0 | | | | | | |
| Total | 2 905 325 | 2 892 381 | 12 944 | 2 696 | 0 | 2 696 | -85 | -13 | -72 | -244 | 0 | -196 | 0 | 2 507 709 | 2 448 | |

| | Gross carrying amount/nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collateral and financial guarantees received | | |
|------------------------------|--------------------------------------|-------------------|-------------------|--------------------------|-------------------|-------------------|--|-------------------|---|-------------------|-------------------------|-----------------------------|-------------------------------|--|--------------|---|
| | Performing exposures | | | Non-performing exposures | | | Performing exposures - accumulated impairment and provisions | | Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | On performing exposures | On non-performing exposures | | | | |
| | | Of which: level 1 | Of which: level 2 | | Of which: level 2 | Of which: level 3 | Of which: level 1 | Of which: level 2 | Of which: level 2 | Of which: level 3 | | | | | | |
| 2019 | | | | | | | | | | | | | | | | |
| (€1,000) | | | | | | | | | | | | | | | | |
| Loans | 2 839 715 | 2 829 792 | 9 923 | 2 682 | 0 | 2 682 | -65 | -20 | -45 | -196 | 0 | -196 | -467 | 2 583 302 | 2 448 | |
| Central banks | 244 130 | 244 130 | | 0 | | | 0 | | | 0 | | | | | | |
| General governments | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Credit institutions | 9 821 | 9 821 | | 0 | | | 0 | | | 0 | | | | | | |
| Other financial corporations | 1 750 | 1 750 | | 0 | | | 0 | | | 0 | | | | 1 750 | | |
| Non-financial corporations | 1 769 427 | 1 763 078 | 6 350 | 0 | | | 0 | 0 | | 0 | | | | 1 767 655 | | |
| Of which SMEs | 753 018 | 746 668 | 6 350 | 0 | | | 0 | | | 0 | | | | 753 018 | | |
| Households | 814 586 | 811 013 | 3 573 | 2 682 | | 2 682 | -65 | -20 | -45 | -196 | | -196 | -467 | 813 897 | 2 448 | |
| Debt securities | 282 687 | 282 687 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central banks | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| General governments | 259 236 | 259 236 | | 0 | | | 0 | | | 0 | | | | | | |
| Credit institutions | 23 451 | 23 451 | | 0 | | | 0 | | | 0 | | | | | | |
| Other financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Non-financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Off-balance-sheet exposures | 112 466 | 112 466 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | |
| Central banks | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| General governments | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Credit institutions | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Other financial corporations | 0 | | | 0 | | | 0 | | | 0 | | | | | | |
| Non-financial corporations | 89 313 | 89 313 | | 0 | | | 0 | 0 | | 0 | | | | | | |
| Households | 23 153 | 23 153 | | 0 | | | 0 | 0 | | 0 | | | | | | |
| Total | 3 234 868 | 3 224 945 | 9 923 | 2 682 | 0 | 2 682 | -66 | -21 | -45 | -196 | 0 | -196 | -467 | 2 583 302 | 2 448 | |

Information required from a significant subsidiary (Suomen Asuntohypopankki Oy) in Part Eight of the Capital Requirement Regulation (EU 575/2013)

Own funds and capital ratios of Suomen Asuntohypopankki Oy

| (€1,000) | 2020 | 2019 |
|---|----------|----------|
| Common Equity Tier 1 (CET1) capital: Instruments and reserves | | |
| Capital instruments and the related share premium accounts | 6 500,0 | 6 500,0 |
| of which: Basic capital | 6 500,0 | 6 500,0 |
| Retained earnings | 18 625,9 | 17 979,7 |
| Accumulated other comprehensive income and other reserves | 168,2 | 168,2 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 1 017,6 | 646,3 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 26 311,7 | 25 294,1 |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | |
| Intangible assets | 0,0 | -1,1 |
| Total regulatory adjustments to Common Equity Tier 1 (CET1) | 0,0 | -1,1 |
| Common Equity Tier 1 (CET1) capital | 26 311,7 | 25 293,0 |
| Additional Tier 1 (AT1) capital | 0,0 | 0,0 |
| Tier 2 (T2) capital | 0,0 | 0,0 |
| Total capital (TC = T1 + T2) | 26 311,7 | 25 293,0 |
| Total risk weighted assets | 7 678,5 | 33 257,4 |
| Capital ratios and buffers | | |
| Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount | 342,7 | 76,1 |
| Tier 1 (T1) as a percentage of total risk exposure amount | 342,7 | 76,1 |
| Total capital as a percentage of total risk exposure amount | 342,7 | 76,1 |
| Institution specific buffer requirement, % | 7,0 | 7,0 |
| of which: capital conservation buffer requirement, % | 2,5 | 2,5 |
| of which: countercyclical buffer requirement, % | 0,0 | 0,0 |
| of which: systemic risk buffer requirement, % | 0,0 | 0,0 |
| of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, % | 0,0 | 0,0 |
| Common Equity Tier 1 available to meet buffers, % | 339,2 | 72,6 |

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013). The capital requirement for credit risk is calculated using the standard method. The capital requirement for operational risk is calculated using the basic method. No restrictions applied in the EU's Capital Requirements Regulation (575/2013) compliant own funds calculation and no elements of own funds other than what is laid down in this regulation is used.

Credit risks according to the standard method, operative risk, balance sheet and off-balance sheet items of Suomen Asuntohypopankki Oy

| (€1,000) | 2020 | | | |
|--|--|--------------------|---|-----------------------|
| | Original exposure pre conversion factors | Exposure value | Risk weighted exposure amount after SME-supporting factor | Own funds requirement |
| Exposures to credit institutions | 1 589 767,0 | 1 589 767,0 | 2,9 | 0,2 |
| Exposures secured by mortgages on immovable property | | | | |
| Other items | 2 092,0 | 2 092,0 | 2 092,0 | 167,4 |
| Total | 1 591 859,0 | 1 591 859,0 | 2 095,0 | 167,6 |
| Operational risk | | | 5 583,5 | 446,7 |
| All items in total | 1 591 859,0 | 1 591 859,0 | 7 678,5 | 614,3 |

| (€1,000) | 2019 | | | |
|--|--|--------------------|---|-----------------------|
| | Original exposure pre conversion factors | Exposure value | Risk weighted exposure amount after SME-supporting factor | Own funds requirement |
| Exposures to credit institutions | 1 654 211,6 | 1 654 211,6 | 84,9 | 6,8 |
| Exposures secured by mortgages on immovable property | 84 848,4 | 84 848,4 | 22 626,1 | 1 810,1 |
| Other items | 3 734,5 | 3 734,5 | 3 734,5 | 298,8 |
| Total | 1 742 794,6 | 1 742 794,6 | 26 445,5 | 2 115,6 |
| Operational risk | | | 6 812,0 | 545,0 |
| All items in total | 1 742 794,6 | 1 742 794,6 | 33 257,4 | 2 660,6 |

Risk-weighting of the following exposures: sovereigns, regional governments, local authorities, public sector entities, institutions and companies; is based on ratings assigned by S&P Global Ratings, Fitch and Moody's where applicable.

Own funds requirement for credit and counterparty risks have been calculated using eight percent requirement of risk-weighted exposures in accordance with the EU's Capital Requirements Regulation (575/2013).

Remuneration policy of Suomen Asuntohypopankki Oy

Information on remuneration policy according to the Article 450 of EU's Capital Requirements Regulation (575/2013) is published separately in the reports "Remuneration statement" and "Remuneration report of the Governing Bodies" found from <https://www.hypo.fi/en/investor-relations/>. The Bank does not have own personnel.

Leverage ratio of Suomen Asuntohypopankki Oy

| | 2020 | 2019 |
|-------------------|------|------|
| Leverage ratio, % | 1,65 | 1,45 |